Order 97-10-10
Served: October 20, 1997

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 14th day of October, 1997

Essential air service at	
LAMAR, COLORADO, AND GOODLAND, KANSAS	**Docket OST-95-934**
KEARNEY, NEBRASKA	**Docket OST-96-1715**
ALLIANCE AND CHADRON, NEBRASKA	**Docket OST-97-3003**
McCOOK, NEBRASKA	**Docket OST-97-3005**
under 49 U.S.C. 41731 *et seq.*	

ORDER REVISING SERVICE LEVELS AND SUBSIDY RATES, AND TENTATIVELY RESELECTING CARRIER

Summary

By this order, the Department is authorizing increased service levels and subsidy rates for the subsidized essential air service provided by Great Lakes Aviation, Ltd., d/b/a United Express, at the six communities listed above beginning October 1, 1997, or when the increased service is implemented, whichever is later, through the remainder of the carrier's present rate terms. In addition, the order tentatively reselects Great Lakes to provide subsidized service at three of the communities -- Alliance, Chadron and McCook -- for a further two-year period, and provides for objections and competing proposals from other interested carriers.

Background

By Order 97-3-37, March 26, 1997, the Department selected Great Lakes to provide subsidized service at Lamar, Colorado, Goodland, Kansas, and Kearney, Nebraska, for the two-year period ending June 30, 1999, by operating ten Lamar-Denver and ten Kearney-Goodland-Denver round trips each week with 19-seat Beech 1900 aircraft at annual subsidy rates of $595,788 for Lamar and $874,824 for Kearney and Goodland. Earlier, by Order 96-4-53, April 30, 1996, the Department selected Great Lakes to provide subsidized service at Alliance, Chadron and McCook, Nebraska, for the two-year period ending May 31, 1998, by operating ten Chadron-Alliance-Denver and ten McCook-Denver round trips each week with Beech 1900 aircraft at annual subsidy rates of $693,726 for Chadron and Alliance and $657,724 for McCook.[1] The current total subsidy for all six communities is thus $2,822,062 annually.

The Department's authorization of ten round trips a week at each community reflected program-wide cutbacks implemented in November 1995 as a result of Congressional reductions in funding for the essential air service

[1] See Appendix A for a map.

program.[2]
weekday and weekend.[3]

November 1995, Mesa Air Group, d/b/a United Express, operated subsidized service at Lamar and Goodland, and Express Airlines, Inc., d/b/a Continental Connection, operated subsidized service at the four Nebraska 1996 following the court's decision in *Mesa* *Group v.* (D.C. Cir. 96-1017), and the two communities were without scheduled air service until Great 1, 1997. At Alliance, Chadron and McCook, Great GP Express in May Express's filing of 90-day notices of intent to suspend service. After about a year of steady service, the communities recently experienced a service hiatus as a result of Great voluntary suspension of service beginning May 16, Administration to resolve operational deficiencies in its system. Great Lakes resumed service at those three 1, 1997. And finally, Kearney was without scheduled air service from the time that Express ceased all operations on August 31, Lakes instituted service on July 10,

Congress has now provided a funding level of $50 million for the program beginning in fiscal year 1998 *i.e.*, beginning October 1997. These funds are provided for by the Rural Air Service Survival Act, which was part of the Federal Aviation Administration reauthorization legislation enacted in 1996. The Department intends to use

Safety and Capacity Expansion Act of 1987. Consequently, we requested that Great Lakes subm contemplating increased service at the six communities for the remainder of its present rate terms.

Moreover, under our normal procedures when nearing the end of a subsidy rate term, we contact the incumbent

We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other

are filed, we process them as a competitive case. Consistent with this practice, we asked Great Lakes if it wished

term for those three communities will expire next spring.

Great

Great Lakes submit
has agreed to operate 18 Lamar-Denver, 18 Kearney-Goodland-Denver, 18 Chadron-Alliance-Denver and 18 McCook-Denver round trips each week with Beech
annual subsidy rates of $1,009,635 for Lamar, $1,666,766 for Goodland and Kearney, $1,594,265 for Alliance and Chadron, and $1,308,444 for McCook. The proposed total subsidy for all six communities is $5,579,110 Lakes has agreed to provide the service described above for Alliance, Chadron and McCook at the same subsidy rates for a further two-period period, from June 1998, through May 31, proposed total subsidy for the three communities is $2,902,709.

Decision

Lakes' proposal and its recent service history, we have decided to select it to provide the proposed increased service at the agreed subsidy rates from October 1997, or when the increased

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See Orders 95-11-28, November 17, 2, 1996.

Just recently, the Department increased the number of subsidy-eligible round trips for each community from 10 to 12 a week. See Order 97-8-14, August 1997.

June 30, 1999, for Lamar, Goodland and Kearney and May 31, 1998, for Alliance, Chadron and McCook.[4] Great Lakes' proposed subsidy rates appear reasonable for the service at issue and its performance is satisfactory. In addition, we will tentatively reselect Great Lakes to provide subsidized service at Alliance, Chadron and McCook for a further two-year period, from June 1, 1998, through May 31, 2000.

When the Department implemented the program-wide subsidy cuts in November 1995, subsidized service at all subsidized communities, except those in Alaska, was reduced below statutory minimums and well below viable levels. As a result, substantial traffic declines occurred at most communities, and carriers experienced cost inefficiencies in aircraft and personnel utilization. With the full funding anticipated for fiscal year 1998, the Department now expects to restore viable service at all of the subsidized communities to levels that are commensurate with statutory and program guidelines.[5]

In this case, we have reviewed Great Lakes' proposal and the communities' service histories and find that the provision of improved service is appropriate. The new service levels of 18 round trips a week represent a substantial improvement over the 12 round trips a week that we had subsidized prior to the November 1995 cutbacks. In view of the service disruptions that all of the communities have experienced, we are prepared to provide them with the additional flights in an effort to build traffic and to fully determine the extent of demand for local scheduled service at each of them.

While we are willing to subsidize 18 round trips a week for the time being, the subsidy necessary to support that level of service is substantial, principally because these are long, relatively thin markets and because of the much higher costs incurred by Great Lakes in operating at Denver International Airport compared to Stapleton, the city's former airport. We will closely reexamine the communities' continuing service needs in light of their responses to the increased service when we undertake our next rate reviews in early 1999 for Lamar, Goodland and Kearney and in early 2000 for Alliance, Chadron and McCook. In the meantime, we hope that traffic at the communities will show significant growth and ultimately serve to reduce Great Lakes' subsidy requirements. To that end, we expect Great Lakes, civic officials, and major businesses to work energetically together to promote the service improvements. In that regard, we have earmarked in Great Lakes' subsidy rates specific dollar amounts for local advertising, and fully expect the carrier to use those amounts as proposed.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. We last found Great Lakes fit by Order 97-8-9, August 6, 1997, in connection with its subsidized service at six communities in Minnesota, Nebraska, North Dakota and South Dakota. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to maintain quality service at the communities at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

Responses to Tentative Decision

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Great Lakes to provide essential air service at Alliance, Chadron and McCook at the subsidy rates discussed above for a further two-year period through May 31, 2000. We expect

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[4] Appendix B contains details of Great Lakes'compensation requirements.

[5] 49 U.S.C. 41732(b)(1)(A) specifies that eligible communities are to receive at least two round trips a day, six days a week; moreover, the Department's program guidelines (14 CFR 398.5) contemplate service levels commensurate with a community's historical traffic and traffic-generating potential.

persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that contemplate 18 round trips each week between each community and Denver or some other suitable hub with twin-engine aircraft operated by two pilots.

Service History and Traffic Data

The recent service history of the communities is discussed in the background above. During calendar year 1996, Alliance, Chadron and McCook averaged 1.9, 1.5 and 2.9 enplanements per service day, respectively.[6]

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.[7] Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed $100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

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[6] Enplanements represent one-half of total origin-and-destination traffic, and a service day is a weekday or weekend. See Appendix C for historical traffic data.

[7] The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

If we receive competing proposals, the communities and states are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly

after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. We revise the service provided by Great Lakes Aviation, Ltd., d/b/a United Express, at Lamar, Colorado, Goodland, Kansas, and Kearney, Nebraska, as described in Appendix D, for the period from October 1, 1997, or when Great Lakes implements the increased service, whichever is later, through June 30, 1999;

2. We set the final rates of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Lamar, Colorado, Goodland, Kansas, and Kearney, Nebraska, as described in Appendix D, for the period from October 1, 1997, or when Great Lakes implements the increased service, whichever is later, June 30, 1999, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:[9]

Lamar	$548.42
Goodland and Kearney	$452.80

3. We revise the service provided by Great Lakes Aviation, Ltd., d/b/a United Express, at Alliance, Chadron and McCook, Nebraska, as described in Appendix D, for the period from October 1, 1997, or when Great Lakes implements the increased service, whichever is later, through May 31, 1998;

4. We set the final rates of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Alliance, Chadron and McCook, Nebraska, as described in Appendix D, for the period from October 1, 1997, or when Great Lakes implements the increased service, whichever is later, through May 31, 1998, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:[10]

Alliance and Chadron	$433.11
McCook	$710.72

5. We tentatively reselect Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Alliance, Chadron and McCook, Nebraska, as described in Appendix D, for the period from June 1, 1998, through May 31, 2000;

6. We tentatively set the final rates of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Alliance, Chadron and McCook, Nebraska, as described in Appendix D, for

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[8] In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

[9] See Appendix D for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

[10] See fn. 9.

the period from June 1, 1998, through May 31, 2000, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:[11]

Alliance and Chadron	$433.11
McCook	$710.72

7. We direct Great Lakes Aviation, Ltd., d/b/a United Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

8. We find that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing and able to operate as an air carrier and capable of providing reliable essential air service at Lamar, Colorado, Goodland, Kansas, and Alliance, Chadron, Kearney and McCook, Nebraska;

9. We direct Great Lakes Aviation, Ltd., d/b/a United Express, and any other interested persons having objections to the selection of Great Lakes to provide essential air service as described in ordering paragraph 5 above, at the rates set forth in ordering paragraph 6 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;[12]

10. If we receive objections or competing service proposals within the 20-day period, Great Lakes will be compensated at the subsidy rates set forth in ordering paragraph 6 above as final rates until all objections are resolved;

11. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action. If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;

12. These dockets will remain open until further order of the Department; and

13. We will serve copies of this order on the Mayors and airport managers of Lamar, Colorado, Goodland, Kansas, and Alliance, Chadron, Kearney and McCook, Nebraska; the Governors of Colorado, Kansas and Nebraska; the Directors of the Colorado Division of Aeronautics, the Kansas Aviation Division, and the Nebraska Department of Aeronautics; Great Lakes Aviation, Ltd., d/b/a United Express; and the persons listed in Appendix E.

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[11] See fn. 9.

[12] Objections should be filed with the Documentary Services Division, SVC-121.30, Room PL-401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany at (202) 366-1061.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

Appendix B

Great Lakes Aviation, Ltd.
Proposal To Provide Upgraded Basic Essential Air Service at Lamar, Colorado
Calculation of compensation requirement

Estimated annual block hours		1,534	
Estimated annual departures:			
	Denver	920	
	Lamar	920	
	Total departures	1,840	
Estimated annual available seat-miles		5,698,480	

Passenger revenue					Revenue
	Estimated	Average	Passenger	Trip	passenger-
Market	passengers	fare	revenue	distance	miles
LAA-DEN	3,500	$78.00	$273,000	163	570,500
Other revenue	0.01	$273,000	2,730		
Total operating revenue			$275,730		

Direct operating expense:			
Flying operations	$102.91	1,534	$157,864
Fuel & oil	$136.15	1,534	208,854
Maintenance	$116.21	1,534	178,266
Hull insurance	$6.80	1,534	10,431
Aircraft rentals	$129.07	1,534	198,000
Total direct operating expense			$753,415
Indirect operating expense:			
Departure-related		$329,510	
Capacity-related		73,423	
Advertising		10,000	
Traffic-related		57,809	
Total indirect operating expense			$470,742

Total operating expense			$1,224,157
Operating loss			$948,427
Profit element	$1,224,157	0.05	61,208
Compensation requirement			$1,009,635

Great Lakes Aviation, Ltd.
Proposal To Provide Upgraded Basic Essential Air Service at Kearney, Nebraska, and Goodland, Kansas
Calculation of compensation requirement

Estimated annual block hours			3,478
Estimated annual departures:			
	Grand Island	614	
	Kearney	1,534	
	Goodland	1,840	
	Denver	920	
	Total departures		4,294
Estimated annual available seat-miles			12,574,960

Mileages	
GRI-EAR	40
EAR-GLD	171
GLD-DEN	162
EAR-DEN	305
GRI-DEN	344

Passenger revenue:

Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger-miles
GRI-DEN	1,200	$100.00	$120,000	373	447,600
EAR-DEN	6,000	$110.00	660,000	333	1,998,000
GLD-DEN	3,000	$75.00	225,000	162	486,000
	10,200		$1,005,000		2,931,600
Other revenue	0.01	$1,005,000	10,050		
Total operating revenue			$1,015,050		

Direct operating expense:			
Flying operations	$102.91	3,478	$357,921
Fuel & oil	$136.15	3,478	473,530
Maintenance	$116.21	3,478	404,178
Hull insurance	$5.99	3,478	20,833
Aircraft rentals	$113.86	3,478	396,005
Total direct operating expense			$1,652,467

Indirect operating expense:			
Departure-related			$522,033
Capacity-related			179,705
Advertising			20,000
Traffic-related			179,905
Total indirect operating expense			$901,643
Total operating expense			$2,554,110
Operating loss			$1,539,060
Profit element	$2,554,110	0.05	127,706
Compensation requirement			$1,666,766

Great Lakes Aviation, Ltd.
Proposal To Provide Upgraded Basic Essential Air Service at Alliance and Chadron, Nebraska
Calculation of compensation requirement

				Mileages	
Estimated annual block hours			2,429		
Estimated annual departures:				AIA-DEN	180
				AIA-CDR	56
	Alliance	1,841		CDR-DEN	221
	Chadron	920			
	Denver	920			
	Total departures		3,681		
Estimated annual available seat-miles			8,251,624		

Passenger revenue:

Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger-miles
AIA-DEN	2,600	$75.00	$195,000	180	468,000
CDR-DEN	3,100	$78.00	241,800	236	731,600
	5,700		$436,800		1,199,600
Other revenue	0.01	$436,800	4,368		
Total operating revenue			$441,168		

Direct operating expense:

Flying operations	$102.91	2,429	$249,968
Fuel & oil	$136.15	2,429	330,708
Maintenance	$116.21	2,429	282,274
Hull insurance	$8.58	2,429	20,841
Aircraft rentals	$163.03	2,429	396,000
Total direct operating expense			$1,279,791

Indirect operating expense:

Departure-related	$420,024
Capacity-related	129,125

Advertising			20,000
Traffic-related			89,568
Total indirect operating expense			$658,717
Total operating expense			$1,938,508
Operating loss			$1,497,340
Profit element	$1,938,508	0.05	96,925
Compensation requirement			$1,594,265

Great Lakes Aviation, Ltd.
Proposal To Provide Upgraded Basic Essential Air Service at McCook, Nebraska
Calculation of compensation requirement

Estimated annual block hours			2,720
Estimated annual departures:			
	Grand Island	665	
	McCook	1,585	
	Denver	920	
	Total departures		3,170
Estimated annual available seat-miles			10,931,650

Mileages	
GRI-MCK	131
MCK-DEN	218
GRI-DEN	344

Passenger revenue:

Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger-miles
GRI-DEN	6,300	$100.00	$630,000	349	2,198,700
MCK-DEN	3,750	$80.00	300,000	218	817,500
	10,050		$930,000		3,016,200
Other revenue	0.01	$930,000	9,300		
Total operating revenue			$939,300		

Direct operating expense:			
Flying operations	$102.91	2,720	$279,915
Fuel & oil	$136.15	2,720	370,328
Maintenance	$116.21	2,720	316,091
Hull insurance	$7.67	2,720	20,862
Aircraft rentals	$145.59	2,720	396,005
Total direct operating expense			$1,383,201

Indirect operating expense:	
Departure-related	$418,935
Capacity-related	156,605
Advertising	10,000

Traffic-related			171,968
Total indirect operating expense			$757,508
Total operating expense			$2,140,7 09
Operating loss			$1,201,4 09
Profit element	$2,140,709	0.05	107,035

APPENDIX C

HISTORICAL TRAFFIC DATA
FOR ALLIANCE, CHADRON AND McCOOK, NEBRASKA

	ALLIANCE		CHADRON		McCOOK	
.	O&D PSGRS	DAILY ENPL	O&D PSGRS	DAILY ENPL	O&D PSGRS	DAILY ENPL
.						
1988	1,519	2.4	1,154	1.8	2,328	3.7
1989	1,471	2.3	1,309	2.1	1,896	3.0
1990	1,447	2.3	1,488	2.4	2,063	3.3
1991	1,162	1.9	1,530	2.4	2,047	3.3
1992	1,905	3.0	1,600	2.5	2,295	3.7
1993	1,637	2.6	1,581	2.5	2,362	3.8
1994	1,603	2.6	1,568	2.5	2,111	3.4
1995	1,107	1.8	1,289	2.1	1,757	2.8
1996	1,171	1.9	926	1.5	1,799	2.9

SOURCE: BTS Form 298-C, Schedule T-1, reported by GP Express Airlines until June 1996 and by Great Lakes Aviation from June 1996 onward. Daily enplanements represent one-half of origin-and-destination passengers divided by 313 or 314 service days, as appropriate.

APPENDIX D
Page 1 of 2

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE AT LAMAR, COLORADO, GOODLAND, KANSAS,
AND ALLIANCE, CHADRON, KEARNEY AND McCOOK, NEBRASKA

EFFECTIVE PERIOD	
Lamar, Goodland and Kearney	October 1, 1997, or when the proposed service is implemented, whichever is later, through June 30, 1999
Alliance, Chadron and McCook	October 1, 1997, or when the proposed service is implemented, whichever is later, through May 31, 1998, and June 1, 1998, through May 31, 2000
SERVICE	18 Lamar-Denver round trips each week; 18 Kearney-Goodland-Denver round trips each week; 18 Chadron-Alliance-Denver round trips each week; and 18 McCook-Denver round trips each week
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	
Lamar	$548.42 1/
Goodland and Kearney	$452.80 2
Alliance and Chadron	$433.11 3/
McCook	$710.72 4/
COMPENSATION CEILING EACH WEEK	
Lamar	$19,743.12 5/
Goodland and Kearney	$32,601.60 6
Alliance and Chadron	$31,183.92 7/
McCook	$25,585.92 8/

FOOTNOTES APPEAR ON THE FOLLOWING PAGE

APPENDIX D
Page 2 of 2

N O T E

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this order do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

F O O T N O T E S

1/ Annual compensation of $1,009,635 divided by 1,841 annual arrivals and departures at a 98 percent completion factor: 6 dpts x 313 service days x .98 completion = 1,841.
2/ Annual compensation of $1,666,766 divided by 3,681 annual arrivals and departures at a 98 percent completion factor: 12 dpts x 313 service days x .98 completion = 3,681.
3/ Annual compensation of $1,594,265 divided by 3,681 annual arrivals and departures at a 98 percent completion factor: 12 dpts x 313 service days x .98 completion = 3,681.
4/ Annual compensation of $1,308,444 divided by 1,841 annual arrivals and departures at a 98 percent completion factor: 6 dpts x 313 service days x .98 completion = 1,841.
5/ Subsidy rate per arrival/departure of $548.42 multiplied by 36 subsidy-eligible arrivals and departures each week.
6/ Subsidy rate per arrival/departure of $452.80 multiplied by 72 subsidy-eligible arrivals and departures each week.
7/ Subsidy rate per arrival/departure of $433.11 multiplied by 72 subsidy-eligible arrivals and departures each week.
8/ Subsidy rate per arrival/departure of $710.72 multiplied by 36 subsidy-eligible arrivals and departures each week.